

The logo for Powerlan, featuring the word "POWERLAN" in a bold, white, sans-serif font. The letter "O" is stylized with a blue-to-orange gradient and a circular shape that suggests motion or a power symbol.

POWERLAN

ANNUAL REPORT
30 JUNE 2007

Powerlan Limited
Level 41
Northpoint
100 Miller Street
North Sydney NSW 2060



Dr Ian Campbell
Executive Chairman



Geoff Harrington
Non-Executive Director



Ian Lancaster
Non-Executive Director



Fiona McLeod
Non-Executive Director

LETTER TO SHAREHOLDERS

Dear Shareholders,

The 2006-07 year was an eventful time for the Powerlan group of companies both from a capital and asset management perspective. Highlights and key achievements include:

- investing about \$13 million to expand and reposition the Clarity and ConverterTechnology businesses, prepare the Garradin business for a trade sale and plan significant future investment in the IMX business;
- raising more than \$20 million in capital through the recent \$10 million rights issue, and the successful sale of Garradin to Bravura for \$10 million plus earn out;
- settling a long-standing tax obligation with the ATO relating to several of our non-operating companies via a payment schedule stretching over four years; and
- realising the Computershare options, which from the time of conversion to shares have resulted in a gain of almost \$4 million.

I would like to describe some of the other events during the year for Powerlan's three business units - Clarity, ConverterTechnology and IMX - and look at where we're heading.

During 2006-07, Clarity experienced significant product development and delivery issues. An essential project to build a new-generation Clarity product required significantly more development resource than budgeted, and its late delivery delayed budgeted revenue from upgrades and new sales. I am very pleased to announce that the new product is nearing completion, most existing customers are being upgraded, and all new projects will utilise the new product. Clarity is now positioned to continue its march into new markets and expand in existing markets without further hurdles.

The result for Clarity in the last fiscal year was an investment of \$12 million into development in a company that was otherwise breaking even on revenues of \$10 million. This investment, and new orders obtained since the start of the new financial year, have given Clarity a strong platform for growth in fiscal 2008 and beyond.

Powerlan has also invested more than \$1 million into the ConverterTechnology business to enable it to take advantage of a rapidly emerging market migrating large enterprises to the latest version of Microsoft's Office 2007. Investment into sales and market development, as well as product development, is budgeted to continue well into the current financial year, with ConverterTechnology expected to break even month by month by the end of the year. As the speed of adoption of the new Office suite increases, we expect it to become a growth business in its key markets of the United States and Europe. We are also working with IMX to review its market and take better advantage of its strong positioning. Implementation will begin in earnest this financial year when internal staff resources are released from Clarity and ConverterTechnology.

In summary, 2005-06 was a year of "steading the ship"; the last financial year was focused on refinancing Powerlan and transforming it into a group of truly global software and service businesses; and in 2007-08 and beyond we will continue our drive of building the business units into valuable assets through organic growth, mergers and/or acquisitions. The sales of Financial BPO and Garradin are proof of Powerlan's ability to greenhouse promising businesses and generate income that we expect will feed into shareholder returns in the coming years.

I thank our shareholders, clients, staff and suppliers for your continued support, and I look forward to keeping you up to date with news from the Powerlan group in the year ahead.

Dr Ian Campbell
Executive Chairman, Powerlan Limited

POWERLAN BUSINESSES

POWERLAN

Powerlan Limited (“Powerlan” or the “Company”) and its controlled entities (the “Group”) is a publicly listed company that enables its customers to achieve productivity gains by leveraging its unique intellectual property to provide specialist information technology products and services through three operating divisions: Clarity; Converter Technology; and IMX Software.

Clarity

Clarity offers a next generation Operational Support Systems (“OSS”) software solution for telecommunication service providers worldwide. Clarity has become a market leader in providing a unified OSS solution that employs a single, pre-integrated database and also caters for an operator’s growth in subscriber volumes through the systems inherent scalability, spanning both legacy and next generation networks.

Clarity is uniquely differentiated as a highly flexible solution that can be deployed as a pre-integrated end-to-end solution, in a modular fashion, or integrated with third-party solutions. Through its product differentiation and the ability to deliver flexible solutions, the company has built up a dominant market position in Asia, with a number of major Tier 1 operators around the region now using Clarity’s products. Clarity’s management is now leveraging these strengths to expand the business into new territories, including the Middle East and Europe.

Clarity’s solutions are designed for telecommunications and utility service providers worldwide, particularly Tier 1 telcos which require short time-to-market solutions for emerging new technologies, or seek to rationalise their complex and hard to manage existing OSS software platforms. Major Tier 1 customers include Philippines Long Distance Telecom (Philippines), Reliance Infocom (India), Sri Lanka Telecom (Sri Lanka), Telekom Malaysia (Malaysia), PT Telkom (Indonesia), and Hutchinson Communications (Indonesia).

POWERLAN BUSINESSES



ConverterTechnology delivers software and services that simplify file migrations and reduce the risks associated with large-scale IT deployment projects, particularly in the Microsoft environment. The volume of files created by desktop application users has exploded in recent years. Understanding which business-critical files are affected by IT projects such as Office 2007 and Vista roll-outs, and the risk those projects pose for the availability and functionality of the files, is a critical step for the success of almost all technology-refresh projects. ConverterTechnology's market opportunity is driven by the need to get these millions of files properly inventoried, managed, under control and fully compatible with their new platforms.

In recent years ConverterTechnology has developed strong relationships with Microsoft and its partners and is the leading provider of proprietary software tools that help discover, examine, analyse and adapt files so they are useable in upgraded environments. The release of Microsoft's Office 2007 product and Vista platform are presenting a number of challenges to large enterprises seeking to upgrade their platforms which ConverterTechnology is well positioned to address. ConverterTechnology has developed significant expertise through experience and is uniquely placed to build a successful and scalable business by leveraging both its Microsoft relationship and a number of developing relationships with major system integrators.



IMX offers software solutions for the travel money, foreign exchange and the international banking industries.

IMX's products and solutions provide easy management, trading at the point of sale and market trading of banknotes, foreign exchange and any other serialised and non-serialised financial and stored value instruments such as travellers cheques, pre-paid cards, international cheques (drafts) and international money transfers.

IMX can provide a complete solution to its customers including back office, front office (Point of Sale and trading room), internet-enabled e-commerce (B2B and B2C) and settlement software applications for financial institutions. IMX's products and solutions are applicable to a customer's retail branches or those of its business partners as well as retail outlets that sell travel funds products.

Incorporated in 1991, IMX has established itself as the global leader in retail foreign exchange solutions. More than 100 different organisations use IMX's applications globally. Major customers include HSBC, American Express, Credit Suisse, Commerzbank, Travelex, Royal Bank of Scotland and First Rate Exchange Services.

IMX's key strength is the relationships that it has with the major organisations operating in the travel money, foreign exchange and the international banking industries. The opportunity for IMX is to develop those relationships and leverage the global network within each, through the expansion of the range of products and services that the company provides to these global organisations.

CORPORATE DIRECTORY

Directors

Dr I Campbell – Executive Chairman (appointed as Executive Chairman and CEO of Clarity 22 February 2007)

Mr G Harrington – Non-Executive Director

Mr I Lancaster – Non-Executive Director

Ms F McLeod – Non-Executive Director (appointed 23 January 2007)

Dr T Matić – Executive Director (resigned as a Director 19 June 2007)

Mr P Wood – Non-Executive Director (resigned 19 January 2007)

Chief Executive Officer, Chief Financial Officer and Company Secretary

Mr J Newbery

Registered Office and Principal Place of Business

Level 41, Northpoint
100 Miller Street
North Sydney NSW 2060

Powerlan Limited is a company incorporated in Australia

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Auditors

PKF Chartered Accountants
Level 10
1 Margaret Street
Sydney NSW 2000

Lawyers

Henry Davis York
44 Martin Place
Sydney NSW 2000

Bankers

HSBC Bank Australia Limited
570 George Street
Sydney NSW 2000

Stock Exchange Listing

Powerlan Limited shares are quoted on the Australian Stock Exchange.
ASX Code: PWR

Notice of Annual General Meeting

The Annual General Meeting of Powerlan Limited will be held at:

10.00 AM Wednesday 14 November 2007
NSW Department of State & Regional Development
Parkes Room, MLC Centre
Level 47, 19 Martin Place
Sydney NSW 2000

A formal notice of meeting is enclosed.

DIRECTORS' REPORT

Powerlan Limited

Your Directors present this report together with the financial statements of Powerlan and its controlled entities for the financial year ended 30 June 2007.

The Directors of Powerlan in office at any time during or since the end of the financial year are as follows (Directors were in office since the start of the financial year and at the date of this report unless otherwise stated):

Current Directors

Ian Campbell – Executive Chairman

Dr Campbell holds a PhD in Electrical Engineering from the University of New South Wales and has 36 years experience in software and electronic commerce. Dr Campbell co-founded the privately owned CPS Group of Companies in 1970, and has been the Chairman and Managing Director of the CPS Group since 1990. The CPS Group is currently the major shareholder in Powerlan. Dr Campbell has been a Director since 28 November 2005 and was further appointed as Executive Chairman and CEO of Clarity on 22 February 2007.

Geoff Harrington – Non-Executive Director

Mr Harrington has over 31 years experience in investment banking covering all aspects of corporate finance including divestments, acquisitions, take-overs and take-over defences. He has advised on cross border transactions in the United Kingdom, United States, France, Germany, Indonesia, Malaysia, the Netherlands and Thailand. Since 1990 Mr Harrington has run his own firm providing investment banking services for smaller transactions. Mr Harrington holds a Bachelor of Commerce and Master of Business Administration from the University of New South Wales. Mr Harrington has been a Director since 28 November 2005.

Ian Lancaster – Non-Executive Director

Mr Lancaster holds a BA (Major in Accounting and Financial Studies) from Macquarie University and has been a CPA since 1985. During his career Mr Lancaster has held various senior executive positions including Vice President Accounting and Finance of the Grundy Organisation and Network Financial Controller for The Seven Network. He has a keen appreciation for the challenges of developing a strong commercial environment, having himself built a successful general insurance brokerage firm. Mr Lancaster brings to the Board a unique combination of accounting and business experiences. Mr Lancaster has been a Director since 28 November 2005.

Fiona McLeod – Non-Executive Director

Ms McLeod is Victoria's Energy and Water Ombudsman and is a Fellow of the Australian Institute of Company Directors. During her career Ms McLeod has held senior positions in government agencies, including Commissioner and Assistant Commissioner for Equal Opportunity in Victoria, and as a Conciliator/Community Educator for the Victorian Equal Opportunity Commission and the Queensland Human Rights and Equal Opportunity Commission. Ms McLeod is a former CEO of the Royal Australian College of Obstetricians and Gynaecologists and General Manager of the State Trust Corporation of Victoria. She is Chairperson of the recently formed Australian and New Zealand Ombudsman Association (ANZOA) and Chairman of Trustees of Douta Galla Aged Care Services. Ms McLeod has been a Director since 23 January 2007.

Former Directors

Tomislav Matić – Executive Director

Dr Matić has over 21 years experience in the IT industry and co-founded and managed Namadgi Corporation from 1992 to 1999, when it was acquired by Powerlan. Dr Matić holds a PhD in Science (Biophysics and Information Processing) from the Australian National University. Dr Matić became a Director in October 2001 and was appointed Chief Executive Officer on 1 January 2004. Dr Matić resigned as a Director on 19 June 2007 and from the Group on 30 June 2007.

Peter Wood – Non-Executive Director

Mr Wood is a Solicitor admitted to practice in the Supreme Court of Victoria and holds degrees in Commerce and Law. He has over 20 years experience as a senior manager in the Public Sector and has held significant positions including a statutory appointment in law enforcement and in corporate regulation. When he retired from full time work in January 2004 he was Executive Director Enforcement with the Australian Securities and Investments Commission. He is currently a part time Senior Lecturer with the Law School at Deakin University. Mr Wood resigned as a Director of Powerlan on 19 January 2007.

DIRECTORS' REPORT

Powerlan Limited

Executive

Jon Newbery – Chief Executive Officer, Chief Financial Officer and Company Secretary

Jon Newbery has 20 years of management, finance, operational, and turnaround experience. He qualified as an accountant with Arthur Andersen in London, before moving to Warsaw, Poland in 1991 to assist in establishing the consultancy's presence there. Jon moved to Australia in June 2000, where he joined Newport Capital Group as an investment director. While at Newport, he worked with young Australian companies advising on fund raising, restructuring and exit opportunities. In 2002, Jon established his own operational consulting business, where he successfully restructured and ran a number of early stage technology businesses, including a telco billing software vendor. Jon joined Powerlan in May 2006 and was appointed the Chief Executive Officer in February 2007. Jon is a member of the Australian Institute of Company Directors.

Directorships of Other Listed Companies

No director held directorships in other listed companies in the three years immediately proceeding 30 June 2007.

Principal Activities

The principal activities of the Group during the financial year were the provision of software solutions and related services that enable customers to achieve productivity gains by leveraging the Group's unique intellectual property. These activities were delivered through three operating divisions:

- Clarity – provides carrier-grade Operational Support Systems ("OSS") and Network Management Systems ("NMS") software solutions for telecommunication companies and enterprises.
- ConverterTechnology – delivers software and services that simplify file migrations and reduce the risks associated with large-scale IT deployment projects, particularly in the Microsoft environment.
- IMX – offers software solutions for the travel money, foreign exchange and the international banking industries.

Consolidated Results

Revenue from continuing operations for the financial year ended 30 June 2007 was \$15.90 million (2006: \$18.86 million). The loss from continuing operations before tax was \$6.92 million (2006: \$0.91 million loss), which includes a charge of \$2.83 million arising from the impairment of the carrying value of goodwill relating to the Group's investment in IMX.

The operating results of Garradin Pty Limited ("Garradin"), prior to its sale at the end of June 2007 to Bravura Solutions Limited ("Bravura") for a profit of \$5.36 million, have been included in profit from discontinued operations which amounted to \$4.69 million (2006: \$6.85 million).

The net loss attributable to members of Powerlan for the year was \$2.22 million (2006: profit of \$5.94 million).

Sale of Garradin

On 29 May 2007, the Company entered into an agreement with Bravura to sell its wholly owned subsidiary Garradin. The sale was completed on 29 June 2007 when the Company received \$8.33 million, net of cash transferred, as a conditional completion payment pending finalisation of the Garradin's financial statements for the year ended 30 June 2007.

Depending on Garradin's performance in the financial year ending 30 June 2008, the Company will receive an additional payment from Bravura, by no later than 14 September 2008, to bring the total proceeds from the sale to a minimum of \$10 million and a maximum of \$14 million. In addition, the Company is to receive a commission of 7.5% of revenue achieved by Garradin in respect of agreed prospects that Garradin was in discussions with at the date of sale.

Review of Operations

Revenues from continuing operations for the 12 months ended 30 June 2007 fell by 15.7% to \$15.90 million compared with the previous year. The main reason for the reduction was the delay in securing a number of key contracts, which were either secured close to year end or are expected in the early part of the next financial year. Other revenues were \$11.73 million for the year arising from revaluation of the shares held in Computershare Limited ("Computershare") of \$3.93 million and the release of \$6.93 million of liabilities no longer required.

During the same period expenses, excluding finance costs, from the same operations grew by 63.8% to \$34.05 million as a result of the investment made in the expansion of Clarity's sales and marketing activities, the benefits of which are expected to be seen in the forthcoming financial years, as well as product enhancement. In addition, a provision of \$0.85 million has been recognised in the year for the costs of restructuring Clarity's operations.

The sale of Garradin resulted in a reduction in the carrying value of goodwill on the balance sheet of \$4.21 million, which combined with the impairment of the carrying value of IMX in the amount of \$2.83 million

DIRECTORS' REPORT

Powerlan Limited

Review of Operations (cont'd)

reduced the total value of goodwill on the balance sheet as at 30 June 2007 to \$18.94 million (2006: \$25.98 million).

The combination of the operating results of Garradin, the costs of other discontinued operations during the year and the profit on disposal of Garradin in the amount of \$5.36 million resulted in a profit from discontinued operations of \$4.69 million (2006: \$ 6.85 million).

Financial Position

Despite the loss for the year the Group's financial position has improved compared with the previous year for the following reasons:

- the cash balance at 30 June has increased from \$6.38 million to \$9.51 million;
- the debt of \$8.65 million provided by Adelaide Equity Finance Pty Limited was taken on to allow the Company to exercise the 990,000 options held in Computershare. The shares acquired as a result of this transaction were fair valued at \$11.18 million at the 30 June 2007, delivering an unrealised gain since purchase of \$3.93 million;
- the reduction in net assets from \$19.33 million to \$17.09 million occurred as a result of the charge to the income statement of \$2.83 million relating to the impairment of carrying value of goodwill of IMX and
- the rights issue announced by the Company on 9 July 2007 and completed on 14 August 2007 provided the Company with a further \$5.12 million of funding after repayment of the debt owing to CPS Group Investments Pty Limited ("CPS").

Dividends

No dividends have been declared or paid since the start of the year and the directors do not recommend the payment of a final dividend for the year ended 30 June 2007 (2006: \$nil).

Employees

The Group had 133 employees at 30 June 2007 (2006: 157)

Significant Changes in State of Affairs

Other than the sale of Garradin to Bravura in June 2007, there were no significant changes in the state of affairs of the Group during the year.

Significant Events after Balance Date

On 9 July 2007, the Company announced a non-renounceable pro rata rights issue of fully paid ordinary shares in the Company to raise up to \$10.32 million.

The offer was made on the basis of one new share for every one share held as at 25 July 2007, ("the Record Date"). The issue price of a new share is 25 cents (\$0.25) payable in full on application.

The maximum number of new shares to be issued was 41,263,411 ordinary shares. The substantial shareholders CPS (holding 32.04% of the Company's capital) and Niako Investments Pty Limited and related companies (holding 19.9% of the Company's capital) undertook to each underwrite up to \$5 million (inclusive of their full entitlements as shareholders) of the issue. The underwriting agreements guarantee that at least \$10 million will be subscribed.

By 14 August 2007, the closing date for the rights issue, an amount of \$6.15 million was received from shareholders who subscribed for their entitlement under the terms of the rights issue. The balance of \$4.17 million was taken up by the underwriters, ensuring that the rights issue was fully subscribed.

Likely Developments and Future Results

The directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years as the directors have reasonable grounds to believe that such disclosure is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group is not subject to any significant environmental regulations under the laws of the Commonwealth and State.

Remuneration Report

This Remuneration Report has been prepared by the directors of Powerlan to comply with the Corporations Act 2001 and the Key Management Personnel disclosures required under AASB 124.

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

Mr G Harrington – Non-Executive Director (commenced 28 November 2005)

Mr I Lancaster – Non-Executive Director (commenced 28 November 2005)

Ms F McLeod – Non-Executive Director (commenced 23 January 2007)

Mr P Wood – Non-Executive Director (commenced on 28 November 2005 and resigned on 19 January 2007)

DIRECTORS' REPORT

Powerlan Limited

Remuneration Report (cont'd)

Executive Directors

Dr I Campbell – Executive Chairman (appointed as Executive Chairman and CEO of Clarity on 22 February 2007)

Dr T Matic – Managing Director and Chief Executive Officer (resigned as a Director on 19 June 2007 and from the Group on 30 June 2007)

Executives

Mr J Newbery – Chief Executive Officer, Chief Financial Officer and Company Secretary – Powerlan Limited (appointed as Company Secretary on 1 October 2006)

Ms M Woods – Human Resources Director – Powerlan Limited (commenced 5 December 2006)

Mr R McWalter – Chief Executive Officer – ConverterTechnology Inc

Mr S Bowhill – Chief Executive Officer – Garradin Pty Limited (left the Group on sale of Garradin on 29 June 2007)

Mr A Piperidis – Chief Executive Officer – IMX Software Group Pty Limited

Mr P Giannopoulos – Company Secretary – Powerlan Limited (resigned on 30 September 2006)

Remuneration Policy

Remuneration of executive directors and other senior executives of the Group is based on normal commercial rates for similar levels of responsibility and incorporates both fixed and variable remuneration. Variable remuneration is directly related to an individual's achievement of pre-agreed performance indicators as well as the Group or division's overall performance.

All executive directors and executives receive a base package which includes a base salary and superannuation guarantee contributions. The split of the base package can be amended to take advantage of salary packaging opportunities as long as the total employment cost to the Company or division does not exceed the agreed base package, there are no additional tax liabilities to the Company and complies with the local tax authority guidelines.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount payable. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at market rates for their time, commitment and responsibilities having regard to industry practice

and the need to obtain appropriately qualified directors. The maximum aggregate amount of directors' fees that can be paid to a non-executive director is limited by the Company's Constitution to \$500,000 and can only change subject to approval by shareholders at a General Meeting. Fees for non-executives are not linked to the performance of the Group. However, to align the director's interests with those of other shareholders, the directors are encouraged to hold shares in the Company.

Performance-based Remuneration

As part of each executive director and executive's remuneration package there is a performance based component relating to key performance indicators ("KPIs"). The KPIs are set annually and are specifically tailored to the areas each executive director and executive is involved in and has a level of control over. These KPI's are based predominately on the financial performance of each of the business units. Performance of each executive director and executive against these agreed KPI's is assessed annually.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to align the directors' and executive's interests with shareholder interests. Two of the major KPI's for each executive director and executive are revenue growth and profitability. The Board considers these to be fundamental to creating shareholder wealth.

The Company seeks to create shareholder value through increases in the share price by restructuring the operations of the divisions and setting clear strategic directions. However, due to the delays in delivering sustainable profits from ongoing operations Powerlan's share price has declined during the year from a closing price of \$0.505 at 30 June 2006 to \$0.225 at 30 June 2007, representing a 55% decline during the year.

DIRECTORS' REPORT

Powerlan Limited

Non-Executive Directors' Remuneration

Details of remuneration for years ended 30 June.

	Primary benefits			Post employment	Equity	Other	Total
	Cash salary & fees \$	Short term cash bonus \$	Non-monetary \$	Superannuation \$	Options \$	Termination benefits \$	
Non-Executive Directors							
Dr I Campbell ⁽ⁱ⁾							
2007	–	–	–	48,438	–	–	48,438
2006	–	–	–	44,375	–	–	44,375
Mr G Harrington ⁽ⁱⁱ⁾							
2007	45,871	–	–	4,129	–	–	50,000
2006	27,140	–	–	2,442	–	–	29,582
Mr I Lancaster ⁽ⁱⁱ⁾							
2007	45,871	–	–	4,129	–	–	50,000
2006	27,140	–	–	2,442	–	–	29,582
Ms F McLeod ⁽ⁱⁱⁱ⁾							
2007	–	–	–	20,833	–	–	20,833
2006	–	–	–	–	–	–	–
Mr P Wood ^(iv)							
2007	19,113	–	–	1,720	–	–	20,833
2006	27,140	–	–	2,442	–	–	29,582
Subtotals							
2007	110,855	–	–	79,249	–	–	190,104
2006	81,420	–	–	51,701	–	–	133,121

Non monetary benefits relate to salary sacrifice arrangements for otherwise deductible packaged remuneration items.

(i) Dr I Campbell was appointed as a Non-Executive Director on 28 November 2005. Dr Campbell was appointed Executive Chairman and CEO of Clarity on 22 February 2007. Remuneration for the year ended 30 June 2007 includes directors' fees up until the date of his appointment as Executive Chairman and CEO of Clarity.

(ii) Mr G Harrington and Mr I Lancaster were appointed directors on 28 November 2005.

(iii) Ms F McLeod was appointed director on 23 January 2007.

(iv) Mr P Wood was appointed director on 28 November 2005 and resigned on 19 January 2007.

DIRECTORS' REPORT

Powerlan Limited

Executive Directors' Remuneration

Details of remuneration for years ended 30 June.

	Primary benefits			Post employment	Equity	Other	Total
	Cash salary & fees \$	Short term cash bonus \$	Non-monetary \$	Superannuation \$	Options \$	Termination benefits \$	
Executive Directors							
Dr I Campbell ⁽ⁱ⁾							
2007	128,000	–	–	26,563	–	–	154,563
2006	–	–	–	–	–	–	–
Dr T Matic ⁽ⁱⁱ⁾							
2007 ^(iv)							
– specified director	276,545	⁽ⁱⁱⁱ⁾ 125,000	–	14,288	–	–	415,833
– executive	129,964	–	–	388	–	175,000	305,352
2006							
– specified director	276,836	⁽ⁱⁱⁱ⁾ 35,252	2,521	21,337	^(v) 44,219	–	380,165
– executive	–	–	–	–	–	–	–
Mr P Giannopoulos ^(vi)							
2007							
– specified director	–	–	–	–	–	–	–
– executive	103,118	–	–	3,406	–	–	106,524
2006							
– specified director	63,073	–	–	5,677	–	–	68,750
– executive	88,303	–	–	7,947	–	–	96,250
Mr B Johnston ^(vii)							
2007	–	–	–	–	–	–	–
2006	105,021	80,800 ^(viii)	–	2,477	–	–	188,298
Subtotals							
2007	637,627	125,000	–	44,645	–	175,000	982,272
2006	533,233	116,052	2,521	37,438	44,219	–	733,463
Total Directors' Remuneration							
2007	748,482	125,000	–	123,894	–	175,000	1,172,376
2006	614,653	116,052	2,521	89,139	44,219	–	866,584

Non monetary benefits relate to salary sacrifice arrangements for otherwise deductible packaged remuneration items.

- (i) Remuneration is from the date Dr Campbell was appointed as Executive Chairman and CEO of Clarity. CPS, of which Dr Campbell is a Director, is recharging Powerlan \$32,000 per month for the cost of Dr Campbell's time spent in the capacity of Executive Chairman and CEO of Clarity.
- (ii) Dr T Matic resigned as a Director on 19 June 2007 and as an Executive on 30 June 2007.
- (iii) The cash bonus paid to Dr T Matic in 2006 and part of the bonus paid in 2007 relate to the acquisition of Namadgi Corporation Pty Limited by Powerlan. The final instalment in relation to the sale of equity in Ranbuild Design Systems Pty Limited ("RDS") (announced 1 December 2004) was received by Powerlan (upon RDS achieving an agreed earnings target) in January 2007. Dr T Matic was entitled to a 5% bonus payment based on the selling price of RDS. The 2007 bonus also includes an amount of \$100,000 relating to the year ended 30 June 2006.
- (iv) On 6 July 2007, Dr T Matic entered into a deed of settlement with the Company under which the Company agreed to pay Dr T Matic 7 months redundancy (\$175,000), his outstanding annual leave (\$32,362) and long service leave entitlements (\$82,987). These amounts were fully accrued in books at 30 June 2007 and have been paid in full subsequent to the balance sheet date.
- (v) Options granted as part of directors and executives emoluments have been valued using the Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level of volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.
- (vi) Mr P Giannopoulos was appointed as a director on 22 March 2005 and resigned on 28 November 2005. He was a specified executive prior to his appointment and after his resignation. Mr. Giannopoulos resigned as an executive on 30 September 2006.
- (vii) Mr B Johnston resigned as a director of Powerlan on 28 November 2005.
- (viii) Mr B Johnston received a bonus equal to 10% of adjusted EBIT, based on the performance of FinancialBPO Pty Limited ("FinancialBPO") as per his remuneration agreement.

DIRECTORS' REPORT
Powerlan Limited

Executive Remuneration

Details of remuneration for years ended 30 June

	Primary benefits			Post employment	Equity	Other	Total
	Cash salary & fees	Short term cash bonus	Non-monetary	Superannuation	Options	Termination benefits	
	\$	\$	\$	\$	\$	\$	\$
Executive							
Mr J Newbery ⁽ⁱ⁾							
2007	251,579	80,000	5,735	12,686	–	–	350,000
2006	42,718	–	259	3,845	–	–	46,822
Ms M Woods ⁽ⁱⁱ⁾							
2007	74,889	–	–	37,032	–	–	111,921
2006	–	–	–	–	–	–	–
Mr S Bowhill ⁽ⁱⁱⁱ⁾							
2007	223,092	^(iv) 282,889	–	42,385	–	–	548,366
2006	215,604	^(v) 57,137	2,745	36,547	–	–	312,033
Mr R McWalter							
2007	271,032	26,291	–	–	–	–	297,323
2006	307,860	–	–	–	–	–	307,860
Mr A Piperidis							
2007	170,943	5,000	16,913	16,907	–	–	209,763
2006	157,077	–	16,496	12,125	–	–	185,698
Mr A Bates^(v)							
2007	–	–	–	–	–	–	–
2006	120,092	^(vi) 35,009	–	13,959	–	–	169,060
Mr J Hayne^(vii)							
2007	–	–	–	–	–	–	–
2006	66,755	–	–	5,116	–	–	71,871
Mr A Kalcina^(v)							
2007	–	–	–	–	–	–	–
2006	163,391	–	3,200	13,409	–	–	180,000
Mr D Lees^(viii)							
2007	–	–	–	–	–	–	–
2006	98,755	31,500	–	6,876	–	–	137,131
Mr M Smith^(ix)							
2007	–	–	–	–	–	–	–
2006	72,816	80,800	–	929	–	–	154,545
Total							
2007	991,535	394,180	22,648	109,010	–	–	1,517,373
2006	1,245,068	204,446	22,700	92,806	–	–	1,565,020

Non-monetary benefits relate to salary sacrifice arrangements for otherwise deductible packaged remuneration items.

(i) Mr J Newbery commenced with Powerlan on 1 May 2006.

(ii) Ms M Woods commenced with Powerlan on 5 December 2006.

(iii) Mr S Bowhill left the Group on sale of Garradin on 29 June 2007.

(iv) Mr S Bowhill received a bonus based on achievement of pre agreed objectives within Garradin. Of the \$282,889 paid during the year \$22,720 related to the financial year ended 30 June 2006, \$85,769 related to the financial year ended 30 June 2007 and \$174,400 was paid as an incentive payment on the successful sale of Garradin in accordance with the terms of his employment contract.

(v) Consequent to the restructuring of the Company, Mr A Kalcina and Mr A Bates are no longer considered to be Executives of the restructured entity.

DIRECTORS' REPORT

Powerlan Limited

Executive Remuneration (cont'd)

- (vi) The cash bonus paid to Mr A Bates in 2006 related to the sale of equity in RDS. Mr A Bates was entitled to a 5% bonus payment based on the selling price of RDS, which in the year ended 30 June 2006 amounted to \$25,000. In addition, in 2006 Mr A Bates received a \$10,009 bonus based on achievement of performance objectives for the year ended 30 June 2005.
- (vii) Mr J Hayne was appointed 5 January 2005 and resigned 18 November 2005.
- (viii) Mr D Lees was appointed 11 November 2004 and resigned 5 May 2006. Mr Lees received a bonus in 2006 based on achievement of pre agreed objectives.
- (ix) Mr M Smith was the COO of FinancialBPO when the company was sold to Computershare on 15 November 2005. Mr Smith moved across to Computershare as part of the sale. He also received a bonus equal to 10% of adjusted EBIT, based on the performance of FinancialBPO as per his remuneration agreement.

Employment Contracts

Details of contracts between executive directors and executives of Powerlan and certain controlled entities are as follows:

Name	Contract	Duration	Notice	Term'n Payment
Dr I Campbell*	No	N/A	N/A	N/A
Mr J Newbery	Yes	30 June 2009	3 months	6 months**
Ms M Woods	Yes	N/A	3 months	6 months**
Mr R McWalter	Yes	30 June 2007	3 months	6 months**
Mr A Piperidis	Yes	30 June 2008	3 months	6 months**

* No contract has been entered into with Dr I Campbell. However, CPS, of which Dr Campbell is a Director, is recharging \$32,000 per month to Powerlan for the time spent by Dr Campbell in his capacity as Executive Chairman and CEO of Clarity.

** Termination payment is the shorter of the remaining term of the contract and six months.

Equity Instrument Disclosures Relating to Directors and Executives

Option Holders

The number of options over Ordinary Shares in the Company held during the financial year by each director of Powerlan and each of the specified executives of the Group, including their personally related entities is set out below.

	Balance at start of the year	Granted during the year as remuneraion	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at the end of the year	Vested and non-exercisable at the end of the year
Directors							
Dr I Campbell	-	-	-	-	-	-	-
Mr G Harrington	-	-	-	-	-	-	-
Mr I Lancaster	-	-	-	-	-	-	-
Ms F McLeod	-	-	-	-	-	-	-
Dr T Matić	366,666	-	-	(33,333)	⁰ 333,333	-	-
Mr P Wood	-	-	-	-	-	-	-
Total	366,666	-	-	(33,333)	333,333	-	-

There are nil options outstanding for executives.

- (i) If the option holder is a director or employee an option lapses, together with all non-vested options, on the expiry of thirty (30) days after the option holder ceases to be a director or employee. Dr T Matić did not exercise the options held by him within 30 days of the cessation of his employment with the Group and consequently the options have now expired.

DIRECTORS' REPORT

Powerlan Limited

Shareholdings

The number of Ordinary Shares in Powerlan held during the year by each director and each of the specified executives of the Group, including their personally-related entities are set out below.

Directors	Balance at start of the year	Received during year on exercise of options	Other changes during the year	Balance at end of the year
Dr I Campbell	13,221,024	–	–	13,221,024
Mr G Harrington	–	–	–	–
Mr I Lancaster	1,431,200	–	–	1,431,200
Ms F McLeod	–	–	–	–
Dr T Matic	657,985	–	–	657,985
Mr P Wood	56,500	–	–	56,500
Total	15,366,709	–	–	15,366,709
Executives				
Mr J Newbery	–	–	–	–
Ms M Woods	–	–	–	–
Mr S Bowhill	30,000	–	(30,000)	–
Mr R McWalter	–	–	–	–
Mr A Piperidis	–	–	–	–
Mr P Giannopoulos	299,311	–	(299,311)	–
Total	329,311	–	(329,311)	–

Directors' Interests in Shares or Options

The relevant interest of each director in the shares and options issued by Powerlan, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act, 2001, at the date of this report is as follows:

Name	Ordinary Shares	Options
Dr I Campbell	13,221,024	–
Mr G Harrington	–	–
Mr I Lancaster	1,431,200	–
Ms F McLeod	–	–
Total	14,652,224	–

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 24 to the financial statements.

Directors' Meetings

Directors' meetings were held on 8 occasions during the financial year. Attendance at meetings by each of the directors of the Company during the financial year was as follows:

Directors	Meetings eligible	Meetings attended
Dr I Campbell	8	7
Mr G Harrington	8	8
Mr I Lancaster	8	8
Ms F McLeod	5	5
Dr Matic	8	6
Mr P Wood	3	3

DIRECTORS' REPORT

Powerlan Limited

Committee Meetings

The audit committee met three times during the financial year, however, the remuneration committee did not meet during the financial year.

Indemnification and insurance of officers

The Company has entered into an agreement with American Home Assurance Company to provide Directors and Officers Insurance cover. The cost for the insurance policy for the year ended 30 June 2007 was \$38,997.

Prior to putting the Directors and Officers Insurance cover in place, Powerlan had agreed to indemnify the directors of the Company and certain executive officers and the current directors of its controlled entities against all liabilities and expenses to another person that may arise from their position, except where the liability arose out of conduct involving a lack of good faith. The Company had agreed to meet the full amount of any such liabilities, including costs and expenses.

Powerlan has not indemnified or agreed to indemnify the auditor of the Company or any related body corporate against a liability incurred by the auditor.

Options

No options were granted by Powerlan to the directors or the executives during the financial year ended 30 June 2007, or since that date.

On 24 October 2005, CPS (a company related to Powerlan's Executive Chairman, Dr I Campbell) exercised their option to acquire 5,382,253 shares at an exercise price of \$0.20 per share. On the same day CPS waived the obligation on Powerlan to seek shareholder approval for a second option agreement. This second option agreement entitled CPS to apply up to \$3.5 million to buy shares in Powerlan, subject to Powerlan shareholders' approval, at a discount of 15% on the preceding 5 day volume weighted average price and up to the ceiling of 40% of total issued shares in Powerlan at the time.

There are no amounts unpaid on the 5,382,253 ordinary shares issued to CPS by Powerlan during the previous financial year.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 3(e) to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided by PKF means that the auditor's independence requirement under the Corporations Act 2001 was not compromised, for the following reasons:

- All non-audit services have been received and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for the Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration in relation to the audit for the financial year is provided on page 15 of this report as required under Section 307C of the Corporations Act 2001.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars unless otherwise indicated.

Dated at Sydney on this 30th day of August 2007.

Signed in accordance with a resolution of the directors.



Dr I Campbell
Executive Chairman



I Lancaster
Director

Auditor's Independence Declaration**To: The Directors****Powerlan Limited**

As lead engagement partner for the audit of Powerlan Limited for year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Powerlan Limited and its controlled entities.

**PKF****John Bresolin****Partner****Sydney, 30 August 2007**

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PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

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CORPORATE GOVERNANCE STATEMENT

Powerlan Limited

For the year ended 30 June 2007

The Board has implemented the Best Practice Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of Powerlan's business. The Board acknowledges that the appointment of independent non-executive directors continues to be a priority in complying with the Best Practice Recommendations.

The responses of the Board to the Best Practice Recommendations are outlined below, with comments where appropriate:

Principle 1 – Lay Solid Foundations for Management and Oversight

The directors have responsibility for the overall corporate governance of Powerlan and for protecting the rights and interests of the shareholders.

Primary responsibilities of the Board include:

- the establishment of long-term goals and strategic plans for the group and individual divisions to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Group and monitoring of the results against those budgets;
- approval of the annual and half-yearly report; and
- ensuring the Group has adequate internal control procedures together with appropriate monitoring of compliance activities.

Principle 2 – Structure the Board to Add Value

The composition of the Board is determined using the following guidelines:

- the Board should comprise between three and twelve directors, with a majority being non-executive members; and
- the Chairman of the Board should be an independent non-executive director.

Powerlan complies with this recommendation except for:

- the Chairman of the Board is not independent; and
- the Board needs to establish a nomination committee or define the nomination function as one which is part of normal Board business.

The size and nature of the business does not justify a formal nominations committee.

Principle 3 – Promote Ethical and Responsible Decision Making

All directors and officers of the Company are required to discharge their responsibilities ethically and with integrity. Powerlan's code of conduct requires:

- conflicts of interest to be disclosed to the Board at the earliest possible opportunity;
- directors and officers to act in the best interests of the Company;
- that all Company information be deemed confidential;
- the Company to comply with all relevant laws and legislation;
- Company assets to be only used for legitimate business purposes; and
- unlawful and unethical behaviour to be reported to the Board, in confidence.

The Company has in place a policy which defines permitted trading windows for directors, officers or their related entities in Powerlan's securities.

Principle 4 – Safeguard Integrity in Financial Reporting

The Chief Executive Officer provides the Board with annual written confirmation that the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Board comprises three non-executive directors. On the 14 February 2006 the Company established an Audit Committee. The Committee reviewed and provided a recommendation to the Board on the annual financial statements.

The responsibilities of the Audit Committee include:

- overseeing the existence and maintenance of internal controls and accounting systems;
- providing assurance regarding the quality and reliability of financial information prepared for use by the Board;
- defining appropriate accounting policies; and
- nominate external auditors and review external audit arrangements.

Powerlan complies with this recommendation except for:

- the requirement for the Audit Committee to have a formal charter.

CORPORATE GOVERNANCE STATEMENT

Powerlan Limited

For the year ended 30 June 2007

Principle 5 – Make Timely and Balanced Disclosure

The Company Secretary is the nominated ASX Communication Officer and is responsible for discharging the Company's continuous disclosure obligations in accordance with ASX Listing Rules and managing the disclosure of information to ASX, analysts, brokers, shareholders, the media and the public.

The Board is responsible for ASX compliance and to review disclosure at each Board meeting.

Powerlan complies with the disclosure requirements of the ASX, except for the requirement to disclose a summary of the Group's policies and procedures on the Powerlan website.

Principle 6 – Respect the Rights of Shareholders

The Company respects the rights of shareholders and provides information through:

- the Annual Report being made available to all shareholders through the Company website or through specific distribution, if requested;
- the Half-Year Report;
- Investor information provided on the Company's website;
- Company announcements made to the ASX; and
- other correspondence regarding matters impacting shareholders as required.

Powerlan complies with this recommendation except for the requirement to disclose a description of the arrangements the Company has to promote communication with shareholders.

Principle 7 – Recognise and Manage Risk

The Board is committed to identifying, quantifying and managing risk. Directors receive regular reports on areas of significant business risk and exposure and on the management of those risks. Risk management forms a large part of the Board's responsibility.

Principle 8 – Encourage Enhanced Performance

The Board has established a Remuneration Committee charged with reviewing the remuneration levels of directors and executives.

Principle 9 – Remunerate Fairly and Responsibly

Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies.

Directors seek independent external advice and market comparisons, as necessary, when setting remuneration levels.

Principle 10 – Recognise the Legitimate Interest of Stakeholders

Powerlan complies with this recommendation.

Communication

The Board intends to have details of the required policy disclosures published on the Company's web site as soon as practically possible.

FINANCIALS | 2007
AS AT 30 JUNE

INCOME STATEMENT

Powerlan Limited

	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
For the year ended 30 June					
Revenue	2(a)	15,902	18,858	–	623
Other income	2(b)	11,730	1,237	12,384	1,114
Expenses, excluding finance costs	3(a)	(34,051)	(20,791)	(26,840)	(4,616)
Finance costs	3(b)	(498)	(213)	(496)	(213)
Loss from continuing operations before income tax		(6,917)	(909)	(14,952)	(3,092)
Income tax expense	4	–	–	–	–
Loss from continuing operations after income tax		(6,917)	(909)	(14,952)	(3,092)
Profit from discontinued operations	5	4,694	6,849	6,200	7,891
Profit/(loss) attributable to members of the parent entity		(2,223)	5,940	(8,752)	4,799
Total operations					
Basic/diluted earnings per share (cents per share)	25	(5.38)	15.02		
Continuing operations					
Basic/diluted earnings per share (cents per share)	25	(16.76)	(2.30)		
Discontinued operations					
Basic/diluted earnings per share (cents per share)	25	11.38	17.32		
Dividends per ordinary share		–	–		

The income statement is to be read in conjunction with the accompanying notes.

BALANCE SHEET

Powerlan Limited

As at 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Assets					
Cash and cash equivalents	32(a)	9,506	6,377	8,302	4,307
Trade and other receivables	6	5,872	6,359	653	248
Inventories	7	1,054	1,827	–	–
Other financial assets	8	11,177	–	11,177	–
Derivative financial instruments	9	–	406	–	406
Total Current Assets		27,609	14,969	20,132	4,961
Non-Current Assets					
Trade and other receivables	6	1,390	343	5,823	18,360
Other financial assets	8	11	11	17,504	24,544
Property, plant & equipment	10	479	654	156	115
Intangible assets	11	18,939	25,979	–	–
Deferred tax assets	12	1,808	1,312	1,783	29
Total Non-Current Assets		22,627	28,299	25,266	43,048
Total Assets		50,236	43,268	45,398	48,009
Current Liabilities					
Trade and other payables	13	7,241	12,695	1,373	1,419
Provisions	14	1,072	1,122	107	283
Other financial liabilities	15	16,503	2,971	13,832	–
Total Current Liabilities		24,816	16,788	15,312	1,702
Non-Current Liabilities					
Trade and other payables	13	7,883	6,545	8,688	15,905
Provisions	14	450	464	–	–
Long-term borrowings	16	–	138	–	138
Total Non-Current Liabilities		8,333	7,147	8,688	16,043
Total Liabilities		33,149	23,935	24,000	17,745
Net Assets		17,087	19,333	21,398	30,264
Equity					
Share capital	17	138,713	138,713	138,713	138,713
Reserves	18	222	245	–	114
Accumulated losses	19	(121,848)	(119,625)	(117,315)	(108,563)
Total Equity		17,087	19,333	21,398	30,264

The balance sheet is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

Powerlan Limited

	Issued Capital \$'000	Foreign Curr- ency Reserve \$'000	Share Option Reserve \$'000	Accumulated Losses \$'000	Total \$'000
For the year ended 30 June					
Attributable to equity holders of the Group					
Balance at 1 July 2006	138,713	131	114	(119,625)	19,333
Share based payments	-	-	(114)	-	(114)
Adjustments from translation of foreign controlled entities	-	91	-	-	91
Net loss attributable to members of the consolidated entity	-	-	-	(2,223)	(2,223)
Sub-total	138,713	222	-	(121,848)	17,087
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2007	138,713	222	-	(121,848)	17,087
Balance at 1 July 2005	137,147	(41)	563	(125,565)	12,104
Shares issued during the year	1,073	-	-	-	1,073
Transfer from share option reserve	493	-	(493)	-	-
Share based payments	-	-	44	-	44
Adjustments from translation of foreign controlled entities	-	172	-	-	172
Net profit attributable to members of the consolidated entity	-	-	-	5,940	5,940
Sub-total	138,713	131	114	(119,625)	19,333
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2006	138,713	131	114	(119,625)	19,333
Attributable to equity holders of the Company					
Balance at 1 July 2006	138,713	-	114	(108,563)	30,264
Share based payments	-	-	(114)	-	(114)
Net loss attributable to members of the parent entity	-	-	-	(8,752)	(8,752)
Sub-total	138,713	-	-	(117,315)	21,398
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2007	138,713	-	-	(117,315)	21,398
Balance at 1 July 2005	137,147	-	563	(113,362)	24,348
Shares issued during the year	1,073	-	-	-	1,073
Transfer from share option reserve	493	-	(493)	-	-
Share based payments	-	-	44	-	44
Net profit attributable to members of the parent entity	-	-	-	4,799	4,799
Sub-total	138,713	-	114	(108,563)	30,264
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2006	138,713	-	114	(108,563)	30,264

This statement of changes in equity is to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

Powerlan Limited

	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
For the year ended 30 June					
Cash flows from operating activities					
Receipts from customers		21,175	21,611	75	695
Payments to suppliers and employees		(33,062)	(24,060)	(627)	(5,074)
Interest received		97	203	941	649
Finance costs		(385)	(214)	(382)	(213)
Dividends received		80	3	80	3
Net cash provided by/(used in) operating activities	32(b)	(12,095)	(2,457)	87	(3,940)
Cash flows from investing activities					
Purchase of property, plant & equipment	10	(296)	(396)	(108)	(84)
Investments in shares		(6,841)	–	(6,841)	–
Payment for subsidiary, net of cash acquired	32(c)	–	(244)	–	(244)
Proceeds from sale of investments, net	32(d)(i)	450	447	450	447
Proceeds from sale of subsidiaries, net	32(d)(ii)	8,335	9,299	9,297	9,299
Net cash provided by investing activities		1,648	9,106	2,798	9,418
Cash flows from financing activities					
Proceeds from issue of shares		–	1,073	–	1,073
Proceeds from borrowings		8,653	–	8,653	–
Loan proceeds from related parties		7,125	500	7,125	500
Loan proceeds repaid to related parties		(2,202)	(3,862)	(2,202)	(3,862)
Loan proceeds paid to wholly owned subsidiaries		–	–	(12,466)	(297)
Net cash provided by/(used in) financing activities		13,576	(2,289)	1,110	(2,586)
Net increase in cash and cash equivalents		3,129	4,360	3,995	2,892
Cash at the beginning of the financial year		6,377	2,017	4,307	1,415
Cash at the end of the financial year		9,506	6,377	8,302	4,307

This cash flow statement is to be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 1. Summary of Significant Accounting Policies

a) Introduction

The financial statements cover the consolidated entity of Powerlan Limited and controlled entities (the "Group"), and Powerlan Limited ("Powerlan" or the "Company") as an individual parent entity. Powerlan is a listed public company incorporated and domiciled in Australia.

Operations and principal activities

The principal activities of the Group during the financial year were the provision of software solutions and related services that enable customers to achieve productivity gains by leveraging the Group's unique intellectual property.

Scope of financial statements

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and interpretations, adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of Powerlan and controlled entities, and Powerlan as an individual parent entity comply with the Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

Currency

The financial statements are presented in Australian currency and rounded to the nearest thousand dollars unless otherwise stated. This is Powerlan's functional and presentation currency.

Reporting period

The financial statements are presented for the year ended 30 June 2007. The comparative reporting period ended at 30 June 2006.

Registered office

Level 41, Northpoint, 100 Miller Street
North Sydney NSW 2060

Authorisation of financial statements

The financial statements were authorised for issue on the 30th of August 2007 by the Directors.

b) Overall Policy

The principal accounting policies adopted by the Group, comprising of the parent entity Powerlan and its subsidiaries, are stated in order to assist in the general understanding of the financial statements.

The following is a summary of the material accounting policies adopted by the Group and Powerlan in the preparation of the financial statements. These accounting policies have been consistently applied, unless otherwise stated.

c) Significant Judgement and Key Assumptions

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The following key assumptions have been made concerning the future and the other key sources of estimation uncertainty at the balance date:

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. An impairment of \$2.83 million has been recognised in respect of the carrying value of the goodwill relating to IMX for the year ended 30 June 2007. Should the projected turnover figures differ significantly from the budgeted figures incorporated in value-in-use calculations then an impairment loss would be recognised, up to the maximum carrying value of goodwill at 30 June 2007, amounting to \$18.94 million.

Key judgements – doubtful debts provision

The directors believe that a provision for doubtful debts of \$0.29 million is required to cover the debts recoverable from customers as at 30 June 2007.

d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Powerlan Limited becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the Group. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Changes to the fair value of financial assets and liabilities are recorded through the income statement.

Upon initial recognition, a financial asset or financial liability is designated as at fair value through profit and loss when doing so results in more relevant information, because either:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases. This has been recognised for other financial assets (investment in Computershare) and other financial liabilities (borrowings from Adelaide Equity Finance). Measurement inconsistency will arise from measuring the asset at fair value for profit or loss and the loan and borrowings at amortised cost. or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 1: Summary of significant accounting policies (cont'd)

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in income statement.

Financial assets not measured at fair value comprise of trade and other receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Investments in subsidiaries not included in the above categories are reflected at cost less any impairment of value.

Financial liabilities comprising trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method. Trade accounts payable represent the principal amounts outstanding at the balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and the maturity amount and minus any write-down for impairment or uncollectibility.

e) Consolidation Policy

The operating results of controlled entities are included from the date control is obtained and until the date control ceases. The effects of all transactions, including any unrealised profits or losses, between entities in the Group have been eliminated on consolidation. Details of controlled entities are contained in Note 22 to the financial statements. Outside interests in the equity and results of the entities that are not controlled are shown as a separate item in the consolidated financial statements.

The consolidated financial statements comprise the accounts of Powerlan and all of its controlled entities. Control exists where Powerlan has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Powerlan to achieve the objectives of the Group as a whole.

f) Revenue Recognition

Sale of goods including license fees

Revenue from the sale of goods, including license fees are recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the Group.

Revenue from rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably and when the other contractual obligations of the entity are performed.

Interest revenue

Interest revenue is recognised using the effective yield basis.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be recovered and the Group will comply with all conditions.

Dividend revenue

Dividend revenue is recognised upon receipt of the dividend.

g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight-line basis over their estimated useful life of the asset where it is likely that the Group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases will be recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

h) Income Taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that a future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Tax Consolidation

Powerlan and its wholly owned Australian controlled entities have implemented the tax consolidation as of 1 July 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 1: Summary of significant accounting policies (cont'd)

The head entity, Powerlan, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts and in addition to its own amounts also recognise the deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amount assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to or distribution from the wholly owned tax consolidated entities.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at the balance date using the first-in first-out ("FIFO") basis. Cost includes labour, materials, profits recognised less provision for foreseeable losses and includes specific variable and fixed costs and allocated costs related to contract activity in general. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts.

Work in progress is valued at cost plus profit recognized to date less provision for foreseeable losses.

j) Receivables

Trade and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, provision for doubtful accounts.

k) Borrowings

Loans and borrowings are recognized in the financial statements on the basis of the nominal amounts at the balance date plus accrued interest. Borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

l) Property, Plant and Equipment

Freehold land, buildings and plant and equipment are stated at cost.

All items of property, plant and equipment other than freehold land are depreciated at the following rates using the straight line method;

- plant and equipment at between 20% and 40 %;
- furniture and fittings at 13%; and
- leasehold improvements, over the period of the lease.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss on disposal.

An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

m) Intangibles

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment at the reporting date. Wherever there is an indication that the goodwill may be impaired, the impairment is recognised in the income statement. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Research & Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

n) Impairment of Assets

At each reporting date, management reviews the carrying values of its intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Impairment testing is performed at the reporting date for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

o) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 1. Summary of Significant Accounting Policies (cont'd)

p) Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payable within 12 months and non-mandatory benefits such as medical car, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Group has a present obligation to pay resulting from employee services provided up to the reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

q) Long-term Employee Benefits

Long-term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the period in which the employee service is rendered.

These benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

r) Events after the Balance Date

Assets and liabilities are adjusted for events occurring after the balance date that provide evidence of conditions existing at the balance date. Important after balance date events which do not meet these criteria are disclosed in Note 31.

s) Cash

Cash and cash equivalents comprise:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- investments in money market instruments; and
- cash in transit.

t) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, then it is recognized as part of the cost of acquisition of an asset or part of an item of expense; or receivables and payables which are recognized inclusive of GST.

Gross amounts of GST recoverable from, or payable to, the taxation authority are included as part of receivables or payables.

u) Share Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

v) Foreign Currency Transactions and Balances

Foreign currency transactions occurring during the year are converted to Australian currency using the spot rate at the date of the transactions. Foreign currency monetary items outstanding at the reporting date are translated at the spot rate at the reporting date. Exchange differences are recognized as income or expenses in the income statement in the period in which exchange rates change, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss and are included in the fair value reserve in equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 1. Summary of Significant Accounting Policies (cont'd)

w) Superannuation

Contributions are made by the Group to employee superannuation funds which provide accumulated benefits to employees. Contributions are paid quarterly and charged as an expense when incurred.

x) Adoption of New and Revised Accounting Standards

As at the date of the financial statements there are a number of new accounting standards and Interpretations that have been issued but are not yet effective for reporting periods ending on or prior to 30 June 2007, as set out below:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue – *Effective for annual reporting periods beginning on or after 1 January 2007.*
- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue – *Effective for annual reporting periods beginning on or after 1 January 2009.*
- AASB 101 'Presentation of Financial Statements' revised standard – *Effective for annual reporting periods beginning on or after 1 January 2007.*
- Interpretation 10 'Interim Financial Reporting and Impairment' – *Effective for annual reporting periods beginning on or after 1 November 2006.*
- Interpretation 11 'Group and Treasury Share Transactions' and consequential amendments to other accounting standards resulting from its issue – *Effective for annual reporting periods beginning on or after 1 March 2007.*
- Interpretation 12 'Service Concession Arrangements' and consequential amendments to other accounting standards resulting from its issue – *Effective for annual reporting periods beginning on or after 1 January 2008.*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of either the Group or the Company. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the Company's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised) and AASB 7 will not affect any of the amounts presented in the financial statements, but will change the disclosure presently made in relation to the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial statements of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

y) Comparative Figures

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

z) Rounding of Amounts

Powerlan has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 2: Revenue					
(a) Sales revenue					
Sale of goods		5,995	8,136	–	–
Services revenue		9,907	10,722	–	623
Total sales revenue		15,902	18,858	–	623
(b) Other revenue					
Interest received		88	183	941	649
Dividends received		80	3	80	3
Export market grants	2(c)	68	390	–	–
Bad Debts recovered		107	1	–	1
Gain from sale of investments	32(d)	450	447	450	447
Gain on financial assets at fair value through profit and loss		3,926	213	3,926	14
Reversal of share based payment reserve		114	–	114	–
Write back of liabilities no longer required		6,871	–	6,871	–
Other		26	–	2	–
Total other revenue		11,730	1,237	12,384	1,114
Total revenue		27,632	20,095	12,384	1,737

(c) Government grants

There are no unfulfilled conditions or other contingencies attaching to the export market development grants recognised during the year. The Group did not benefit directly from any other forms of government assistance.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 3: Profit/(loss) from continuing operations					
Profit/(loss) from continuing operations includes:					
(a) Expenses, excluding finance costs					
Cost of sales		5,727	2,478	228	355
Operating lease-minimum lease payments		993	952	217	299
Depreciation of property, plant & equipment		297	273	67	84
Net loss on derivative financial instruments at fair value through profit and loss		–	594	–	594
Travel expenses		2,599	1,302	108	35
Write off of loans to controlled entities		–	–	3,979	–
Provision for impairment of loans to controlled entities		–	–	19,144	2,651
Employee benefit expense		18,585	13,115	1,796	1,521
Corporate overhead charge		–	–	(2,682)	(2,163)
Realised foreign exchange loss, net		388	23	–	–
Unrealised foreign exchange loss		208	103	–	–
Professional fees		695	893	553	765
Share based payment expense		–	44	–	44
Impairment of goodwill/investment write downs		2,826	–	2,826	–
Other expenses from ordinary activities		1,733	1,014	604	431
Total expenses, excluding finance costs		34,051	20,791	26,840	4,616
(b) Finance costs					
Finance cost includes:					
– other persons		379	62	377	62
– director related, CPS		119	151	119	151
Total borrowing costs		498	213	496	213

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 3: Profit/(loss) from continuing operations (cont'd)					
(c) Individual (revenues)/expenses included in loss from continuing operations before income tax expense include:					
Changes of provisions for:					
	32(b)	(511)	(206)	–	–
		(63)	229	(37)	(27)
		(58)	–	–	–
		450	447	450	447
(d) Impairment of assets					
		2,826	–	2,826	–
(e) Auditor's remuneration					
Remuneration of the auditor of the parent entity for:					
		\$	\$	\$	\$
		174,704	137,000	174,704	137,000
		132,862	174,172	132,862	174,172
<hr/>					
For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 4: Income tax					
(a) Income tax expense					
Income tax expense comprises:					
Current					
		–	–	–	–
(b) Prima facie tax expense/(benefit) calculated at 30% (2006: 30%) on the profit/(loss) from continuing operations					
		(667)	1,782	–	–
		–	–	2,625	1,440
		–	–	(633)	511
		(667)	1,782	1,992	1,951
Add/(deduct) tax effect of:					
		1,454	600	1,454	600
		(3,544)	(2,701)	(3,544)	(2,701)
		(937)	1,431	(937)	1,431
		–	(1,611)	–	(1,611)
		3,694	499	1,035	330
Income tax (benefit)/expense attributable to profit/(loss) from continuing operations					
		–	–	–	–
(c) Unrecognised temporary differences					
Deferred tax assets not brought to account, the benefits of which will only be realised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.					
		1,208	890	1,208	890
(d) Unrecognised tax losses (tax consolidated group)					
Tax losses not brought to account, the benefits of which will only be realised to the extent that it is probable that future tax profits will be available against which deductible tax losses can be utilised.					
Tax losses (tax effected):					
		10,472	9,366	10,472	9,366
		9,341	12,864	9,341	12,864
		19,813	22,230	19,813	22,230

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 5: Discontinued operations					
(a) Discontinued operations					
Discontinued operations include the revenues and expenses from Garradin which was sold on 29 June 2007 and other non-operating companies within the Group. (2005: FinancialBPO which was sold on 15 November 2005 and other non-operating companies within the Group).					
(b) Financial performance					
Services revenue		4,445	5,366	–	–
Profit on disposal of subsidiary	32(d)	5,362	7,813	6,200	7,891
Other income		215	–	–	–
Interest income		10	30	–	–
Total revenue		10,032	13,209	6,200	7,891
Expenses, excluding finance costs					
Cost of sales		–	457	–	–
Lease rental expenses		176	232	–	–
Employee expenses		3,106	3,471	–	–
Corporate overhead charge		394	455	–	–
Depreciation of property, plant & equipment		22	55	–	–
Professional fees		115	101	–	–
Travel expenses		68	85	–	–
Other expenses		360	484	–	–
Total expenses, excluding finance costs		4,241	5,340	–	–
Finance costs					
Finance costs expense					
– other persons		1,097	1,020	–	–
Total finance costs		1,097	1,020	–	–
Total profit before tax from discontinued operations		4,694	6,849	–	–
Income tax expense		–	–	–	–
Profit after tax from discontinued operations		4,694	6,849	6,200	7,891
(c) Cash flow information					
The net cash flows of the discontinued operations which have been incorporated into the cash flow statement are as follows:					
Net cash inflow/(outflow) from operating activities		(359)	26	–	–
Net cash inflow from investing activities		8,322	9,657	9,052	9,299
Net cash inflow generated by discontinued operations		7,963	9,683	9,052	9,299
(d) Fair value of assets and liabilities of discontinued operations					
Cash and cash equivalents		978	360	–	–
Trade and other receivables, current		770	600	–	–
Other financial assets		25	17	–	–
Property, plant & equipment		31	161	–	–
Total assets		1,804	1,138	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 5: Discontinued operations (cont'd)					
(d) Fair value of assets and liabilities of discontinued operations (cont'd)					
Trade and other payables, current and non-current		9,823	9,657	–	–
Provisions		252	242	–	–
Total liabilities		10,075	9,899	–	–
Net liabilities		(8,271)	(8,761)	–	–

(e) Details of sale

On 29 May 2007, the Company entered into an agreement with Bravura for the sale of the Company's shares in its wholly owned subsidiary Garradin. The sale was completed on 29 June 2007 when the Company received \$9.45 million as a conditional completion payment pending finalisation of Garradin's financial statements for the financial year ended 30 June 2007. Further details of the sale are contained in Note 32(d)(ii).

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 6: Trade and other receivables					
Current					
Trade receivables		5,016	6,315	2	–
Provision for impairment of receivables		(288)	(799)	–	–
Prepayments		826	575	486	94
Amount receivable from key management personnel		155	114	155	114
Deposits		12	13	–	–
Other		151	141	10	40
Total current trade and other receivables		5,872	6,359	653	248
Non-current					
Amounts receivable from subsidiaries of ultimate parent entity		–	–	39,926	34,437
Provision for impairment of receivables		–	–	(35,220)	(16,077)
Deposits		273	273	–	–
Other deferred consideration receivable		1,117	–	1,117	–
Other		–	70	–	–
Total non-current trade and other receivables		1,390	343	5,823	18,360

The amount receivable from key management personnel is non interest bearing and is repayable within 12 months. The amount was repaid in full after the balance date.

Fair Values

The carrying amount of trade and other receivables approximates fair value.

Effective Interest Rates and Credit Risks

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in Note 28.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 7: Inventories					
Work in progress, at cost		1,054	1,827	–	–
Total inventories		1,054	1,827	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 8: Other Financial Assets					
Current					
Shares in listed corporations, at fair value through profit and loss		11,177	–	11,177	–
Total current other financial assets		11,177	–	11,177	–
Non-current					
Shares in listed corporations, at cost ^(a)		11	11	11	11
Shares in unlisted controlled entities, at cost		–	–	17,493	24,533
Total non-current other financial assets		11	11	17,504	24,544
^(a) Market value of shares in listed corporations		15	13	15	13

In December 2006, the company exercised its option to acquire shares in Computershare and bought 990,000 shares at \$6.15 per share. These options were classified under derivative financial instruments as at 30 June 2006 (see Note 9). The shares in Computershare were fair valued at 30 June 2007 giving rise to an unrealised gain of \$3.93 million

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 9: Derivative Financial Assets					
Options in listed corporations, at fair value		–	406	–	406
Total derivative financial instruments		–	406	–	406

These options relate to the options in Computershare received as part of the proceeds on the sale of FinancialBPO. The options have a 5 year expiry and 12 month escrow period.

The options have been fair valued at 41 cents each using the Black-Scholes option pricing model and applying the following inputs:

Exercise price	\$6.15
Share price at 30 June 2006	\$7.85
Disposal restriction discount	20%
Expected share price volatility	20%
Risk free interest rate	5.9%
Time to exercise from date of issue	1 year

In December 2006, the Company exercised the options and bought 990,000 shares at \$6.15 per share. These shares have now been classified under other financial assets (see Note 8).

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 10: Property, Plant & Equipment					
Freehold land, at cost		–	132	–	–
		–	132	–	–
Plant and equipment, at cost		4,031	3,861	2,271	2,202
Less: accumulated depreciation		(3,694)	(3,525)	(2,167)	(2,141)
		337	336	104	61
Leasehold improvements, at cost		405	386	–	–
Less: accumulated depreciation		(321)	(262)	–	–
		84	124	–	–
Furniture and fittings, at cost		715	712	416	414
Less: accumulated depreciation		(707)	(704)	(414)	(414)
		8	8	2	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 10: Property, Plant & Equipment (cont'd)					
Software licenses, at cost		256	221	202	166
Less: accumulated depreciation		(206)	(167)	(152)	(112)
		50	54	50	54
Total property, plant & equipment		479	654	156	115

	Freehold Land \$'000	Plant & Equipment \$'000	Leasehold Improv. \$'000	Furniture & Fittings \$'000	Software License \$'000	Total \$'000
Movements in Carrying Amounts						
Group						
Balance at beginning of year	132	336	124	8	54	654
Additions	–	237	21	2	36	296
Disposals	(132)	(42)	–	–	–	(174)
Depreciation expense	–	(194)	(61)	(2)	(40)	(297)
Balance at end of year	–	337	84	8	50	479
The Company						
Balance at beginning of year	–	61	–	–	54	115
Additions	–	69	–	3	36	108
Disposals	–	–	–	–	–	–
Depreciation expense	–	(26)	–	(1)	(40)	(67)
Balance at end of year	–	104	–	2	50	156

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 11: Intangible Assets					
Carrying value of goodwill		21,765	25,979	–	–
Accumulated impairment losses		(2,826)	–	–	–
Net carrying value of goodwill		18,939	25,979	–	–
Reconciliation of carrying amount:					
Balance at beginning of year		25,979	27,255	–	–
Impairment recognised in income statement		(2,826)	–	–	–
Disposals		(4,214)	(1,276)	–	–
Balance at end of year		18,939	25,979	–	–
Goodwill is allocated to the following cash generating units:					
Clarity		13,501	13,501	–	–
Garradin		–	4,214	–	–
IMX Software		5,438	8,264	–	–
Total goodwill		18,939	25,979	–	–

The recoverable amount of each cash generating unit is determined based on value-in-use calculations.

Value-in-use is calculated based on the present value of management approved cash flow projections over a 5-year period. The cash flows are discounted using an industry appropriate Weighted Average Cost of Capital ("WACC") at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Cash generating units	4.6 – 8.5%	28 - 30%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 11: Intangible Assets (cont'd)

Management has based the value-in-use calculations on budgets for each cash generating unit. These budgets use a combination of historical weighted average and industry growth rates to project revenues. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with the inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular cash generating unit

In accordance with AIFRS AASB136 (Impairment of fixed assets and goodwill) the carrying value of the Group's subsidiary undertakings has been compared to their recoverable amounts, represented by their value-in-use to the Group. The review has resulted in an impairment charge of \$2.83 million, in respect of IMX Software, given its current sales pipeline and projected earnings.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 12: Deferred Tax Assets					
Withholding tax credits		1,808	1,312	1,783	29
Total deferred tax assets		1,808	1,312	1,783	29
The movement in deferred tax assets during the year is credited/debited to the income statement.					
Note 13: Trade and Other Payables					
Current					
Trade payables		1,509	761	418	295
Accruals		4,091	2,524	757	713
Other payables		1,641	9,410	198	411
Total current trade and other payables		7,241	12,695	1,373	1,419
Non-current					
Other payables		7,883	6,545	–	6,000
Amounts payable to wholly owned subsidiaries		–	–	8,688	9,905
Total non-current trade and other payables		7,883	6,545	8,688	15,905

(a) Accruals

Accruals include an amount of \$0.85 million relating to the cost of restructuring Clarity's operations, plans for which were finalised prior to the end of the financial year.

(b) ATO Debt

Included in other payables is an amount outstanding to the Australian Tax Office ("ATO") of \$8.90 million (including principal and interest) for a tax liability incurred in financial years 2002 and 2003. On 13 April 2007, the ATO confirmed an arrangement allowing the Company to settle this debt in full through the payment of 48 monthly instalments of \$87,523. Accordingly, \$1.06 million of the amount payable is included in current liabilities and \$7.84 million is included in non-current liabilities.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 14: Provisions					
Current					
Employee entitlements		1,072	1,122	107	283
Total current provisions		1,072	1,122	107	283
Non-current					
Employee entitlements		450	464	–	–
Total non-current provisions		450	464	–	–
Total provisions		1,522	1,586	107	283

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 14: Provisions (cont'd)					
(a) Number of employees at year end					
Number of employees		No. 133	No. 157	No. 8	No. 13
(b) Reconciliation of carrying amounts					
Balance at beginning of year		1,586	1,357	283	310
Additional provisions		1,209	483	86	28
Charges against the provisions		(805)	(71)	(118)	–
Unused amounts reversed		(207)	(183)	(24)	(55)
Transfer to wholly owned subsidiaries		–	–	(120)	–
Transfer on sale of company		(237)	–	–	–
Net foreign currency exchange movement		(24)	–	–	–
Balance at end of year		1,522	1,586	107	283

(c) Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of these financial statements.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 15: Other Current Liabilities					
Unearned and advance revenue		2,671	2,971	–	–
Short-term borrowings, related parties	24 & 30	5,180	–	5,180	–
Short-term borrowings, other parties		8,652	–	8,652	–
Total other current liabilities		16,503	2,971	13,832	–

(a) Unearned and advance revenue

Unearned and advance revenue relates to invoices which are raised prior to services being delivered. This mainly relates to support and maintenance revenue which is usually invoiced quarterly or annually in advance. Unearned and advance revenue is brought to income on a monthly basis as and when the services are provided.

(b) Short-term borrowings, related parties

Pursuant to a Loan Note Subscription Agreement dated 10 May 2005 ("Loan Agreement"), CPS agreed to subscribe for and pay the Issue Price (as defined in the Loan Agreement) to the Company for a Note (as defined in the Loan Agreement) that the Company agreed to allot and issue to CPS on the terms set out in that Agreement. Pursuant to that Agreement CPS advanced an amount of \$3.0 million to the Company which amount was repayable on or before 9 May 2007. The loan is secured by a fixed and floating charge, established on 11 May 2005, refer Note 30.

On 31 January 2007, the Loan Agreement was amended, the effect of which amendments was to enable CPS to advance to the Company up to \$3.0 million over and above the unredeemed debt and to extend the term for repayment of the further advance to no later than 9 May 2010. At the date of amendment of the Loan Agreement, the unredeemed debt amounted to \$0.15 million.

On 3 May 2007, the Loan Agreement was further amended to enable CPS to lend a total of \$5.0 million over and above the unredeemed debt.

On 21 June 2007, the Loan Agreement was further amended to enable CPS to lend, on 26 June 2007, a further \$1.2 million. The \$1.2 million, together with interest accrued on this advance, was to be repaid within 2 business days of completion of the sale of shares in Garradin.

The balance of the loan outstanding to CPS at the 30 June 2007 amounted to \$5.180 million of which \$4.925 million was principal.

(c) Short-term borrowings, other parties

On 18 December 2006, the Company exercised its option to acquire 990,000 shares in Computershare at a price of \$6.15 per share. At the same time the Company purchased a put option to sell the 990,000 shares on 8 January 2008 at fixed price of not less than \$8.75 per share (the "put option").

In order to exercise the option and acquire the shares, the Company entered into a funding agreement with Adelaide Equity Finance to borrow \$6.089 million to acquire the shares, \$0.752 million to acquire the put option and prepaid \$0.691 million of interest on the borrowings. Against the funding arrangement, on 30 March 2007, the Company drew down a further \$1.038 million together with prepaid interest of \$0.080 million on these additional funds. The prepaid interest will be amortised to the income statement over the period of the loan, which is until 11 January 2008.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 15: Other Current Liabilities (cont'd)**(c) Short-term borrowings, other parties (cont'd)**

The total indebtedness at 30 June 2007 was \$8.652 million which is secured against the Computershare shares, which are being held in escrow for 12 months in accordance with the terms on which the shares were issued.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amount owing to related parties (secured)	24 & 30	–	138	–	138
Total long-term borrowings		–	138	–	138

(a) Related party loans

The amount owing to CPS is secured by a charge established on 11 May 2005, refer Note 30.

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 28.

(c) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in Note 28.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 17: Issued Capital					
(a) Ordinary Shares					
41,263,411 fully paid Ordinary Shares (2006: 41,263,411)		138,713	138,713	138,713	137,713
(b) Movements during the year					
Balance at the beginning of the year 41,263,411 fully paid Ordinary Shares (2005: 35,881,158)		138,713	137,147	138,713	137,147
Shares issued during the year:					
5,382,253 fully paid Ordinary Shares on 24 October 2005		–	1,077	–	1,077
Transfer from share option reserve		–	493	–	493
Cost of capital raising		–	(4)	–	(4)
Balance at the end of the year		138,713	138,713	138,713	138,713

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of the issued Ordinary Shares.

Ordinary Shares participate in dividends and the proceeds on winding up Powerlan in proportion to the number of shares held. At shareholder meetings each Ordinary Share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Share options**(i) Movements in share options held by employees and CPS are as follows:**

	No.	No.	No.	No.
Balance at the beginning of the year	366,666	5,768,239	366,666	5,768,239
Granted during the year*	–	–	–	–
Exercised during the year*	–	(5,382,253)	–	(5,382,253)
Lapsed during the year **	(33,333)	(19,320)	(33,333)	(19,320)
Balance at the end of the year	333,333	366,666	333,333	366,666

* On 24 October 2005, CPS exercised their option to acquire 5,382,253 shares at an exercise price of \$0.20 per share. On the same day CPS waived the obligation on Powerlan to seek shareholder approval for the second option agreement. This entitled CPS to apply up to \$3.5 million to buy shares in Powerlan, subject to Powerlan shareholders' approval, at a discount of 15% on the preceding 5 day volume weighted average price and up to the ceiling of 40% of total issued shares in Powerlan at the time.

** Options lapsed during the year: all options lapse 5 years after the grant date or if the option holder is a director or employee, then an option lapses, together with all non-vested options, and the vesting conditions attaching to those options are revoked thirty (30) days after the option holder ceases to be a director or employee.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 17: Issued Capital (cont'd)**(c) Share options (cont'd)**

(ii) Employee Share Option Plan (the "Plan")

All employees are entitled to participate in the Plan and can acquire vested ordinary shares at a 10 % discount to market value each year. When vested, the shares carry full dividend and voting rights. The issuing of additional options in the Plan was placed on hold and will be reconstituted at an appropriate future date.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 18: Reserves					
Foreign Currency Translation Reserve		222	131	–	–
Share Option Reserve		–	114	–	114
Total Reserves		222	245	–	114
(a) Foreign Currency Translation Reserve movement:					
Balance at the beginning of the year		131	(41)	–	–
Add amount recognised upon conversion of foreign exchange balances of overseas controlled entities		91	172	–	–
Balance at the end of the year		222	131	–	–
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries. It is recognised in the income statement when the net investment is disposed.					
(b) Share Option Reserve movement:					
Balance at the beginning of the year		114	563	114	563
Employee share option expense		(114)	44	(114)	44
Conversion of CPS share options		–	(493)	–	(493)
Balance at the end of the year		–	114	–	114

The share option reserve is used to recognise the fair value of options issued but not exercised.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 19: Accumulated Losses					
Accumulated losses at the beginning of the year		(119,625)	(125,565)	(108,563)	(113,362)
Net profit/(loss) attributable to the members of the parent entity		(2,223)	5,940	(8,752)	4,799
Accumulated losses at the end of the year		(121,848)	(119,625)	(117,315)	(108,563)
Note 20: Capital and Leasing Commitments					
Operating lease commitments					
Non-cancelable operating leases contracted for but not capitalised in the financial statements:					
Not later than one year		594	1,050	594	328
Later than one year but not later than five years		528	1,411	528	95
Total operating lease commitments		1,122	2,461	1,122	423

Property leases are non-cancellable, with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require that minimum lease payments increase by CPI or a percentage factor.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 21: Dividends					
Proposed ordinary dividends					
Amount of retained profits and reserves at 30 June that could be distributed out of existing franking credits or from the payment of income tax in the following period		2,304	2,304	1,422	1,422
Balance at beginning of the year		2,304	2,302	1,422	1,420
Franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date		–	2	–	2
Balance at the end of the year		2,304	2,304	1,422	1,422

Note 22: Controlled Entities

Powerlan is the ultimate parent entity in the wholly owned group.

ACN: 056 159 963 Pty Limited (Subject to Deed of Company Arrangement in 2002)

ACN 081 575 966 Pty Ltd **

ACN 084 014 773 Pty Ltd **

Pentagon HR Solutions Pty Limited **

BizTech Outsource Pty Ltd **

Clarity International Limited

Clarity Technology Malaysia Sdn Bhd

Clarity Philippines Pty Limited

Clarity Taiwan Pty Limited **

Clarity Global Solutions Pty Limited

Clarity Services Pty Limited

PT Clarity Systems Indonesia

Clarity OSS (UK) Ltd

Clarity OSS Singapore Pte Ltd (Formerly Powerlan Singapore Pte Limited)

Commercial Software Limited **

Commercial Software Services Technologies Ltd **

Commercial Software Services (Holdings) Limited **

Powerlan (HK) Limited **

IT & T Education Limited **

Powerlan (HK/China) Limited **

Powerlan (China) Limited **

PWR Powerlan (Malaysia) Sdn Bhd **

Yong De Software Services (Beijing) Co. Ltd **

PWR Powerlan (S) Pte. Limited **

ConverterTechnology Corporation Pty Limited

Converter Technology, Inc (formerly Powerlan USA Incorporated).

CSSL Pty Limited **

Easy IT Group Pty Limited **

Elcentrex Pty Limited **

Firmware Holdings Pty Limited **

Firmware Design Pty Limited **

Garradin Pty Limited (Sold June 2007)

Country of Incorporation	Percentage of shares held	
	2007	2006
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Malaysia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Indonesia	100%	–
United Kingdom	100%	–
Singapore	100%	100%
Hong Kong	100%	100%
Hong Kong	100%	100%
Hong Kong	100%	100%
Hong Kong	100%	100%
Hong Kong	100%	100%
Hong Kong	100%	100%
Malaysia	70%	70%
China	100%	100%
Singapore	100%	100%
Australia	100%	100%
USA	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	–	100%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 22: Controlled Entities (cont'd)

	Country of Incorporation	Percentage of shares held	
		2007	2006
IMX Software Group Pty Limited	Australia	100%	100%
IMX Software (UK) Limited	United Kingdom	100%	100%
International Networking Solutions Pty Limited **	Australia	100%	100%
IT &T Careers (HK) Limited **	Hong Kong	100%	100%
MC Professional T Pty Limited **	Australia	100%	100%
No 4 Resources Pty Ltd	Australia	100%	100%
No 5 Resources Pty Ltd **	Australia	100%	100%
PGSCTD Investments Pty Ltd **	Australia	100%	100%
Power ASP Pty Limited **	Australia	100%	100%
Powerlan (Vic) Pty Ltd **	Australia	100%	100%
The Australian IT Careers Institute Pty Limited **	Australia	100%	100%
Zento Pty Limited **	Australia	100%	100%

** These companies are no longer trading and there is no intention that they will resume doing so. Accordingly, as part of the ongoing restructuring of the Group, a process to deregister these non-trading entities has commenced to reduce Powerlan's future compliance costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

	Note	Australia \$'000	Asia \$'000	USA \$'000	Europe \$'000	Total \$'000
For the year ended 30 June						
Note 23: Segment Reporting						
Primary Segment – 2007						
External Sales		922	9,666	1,606	3,708	15,902
Other Revenue		11,730	–	–	–	11,730
Total revenue from ordinary activities		12,652	9,666	1,606	3,708	27,632
Expenses, excluding finance costs		(17,664)	(8,745)	(3,637)	(4,005)	(34,051)
Finance costs		(498)	–	–	–	(498)
Profit/(loss) before income tax from continuing operations		(5,510)	921	(2,031)	(297)	(6,917)
Income tax expense		–	–	–	–	–
Profit/(loss) after income tax from continuing operations		(5,510)	921	(2,031)	(297)	(6,917)
Profit from discontinued operations	5	4,492	202	–	–	4,694
Profit/(loss) attributable to members of the parent entity		(1,018)	1,123	(2,031)	(297)	(2,223)
Total assets		49,786	252	132	66	50,236
Total liabilities		(32,126)	(616)	(353)	(54)	(33,149)
Net assets/(liabilities)		17,660	(364)	(221)	12	17,087
Other:						
Acquisition of non-current assets		232	38	26	–	296
Depreciation		206	40	51	–	297
Impairment losses		2,826	–	–	–	2,826
Primary Segment – 2006						
Revenue		1,467	8,744	4,890	3,757	18,858
Other income		1,234	–	3	–	1,237
Total revenue from continuing operations		2,701	8,744	4,893	3,757	20,095
Expenses, excluding finance costs		(2,917)	(10,313)	(4,222)	(3,339)	(20,791)
Finance costs		(213)	–	–	–	(213)
Profit/(loss) before income tax from continuing operations		(429)	(1,569)	671	418	(909)
Income tax expense		–	–	–	–	–
Profit/(loss) after income tax from continuing operations		(429)	(1,569)	671	418	(909)
Profit/(loss) from discontinued operations	5	6,897	(48)	–	–	6,849
Profit/(loss) attributable to members of the parent entity		6,468	(1,617)	671	418	5,940
Total assets		41,504	363	1,392	9	43,268
Total liabilities		(22,590)	(760)	(548)	(37)	(23,935)
Net assets/(liabilities)		18,914	(397)	844	(28)	19,333
Other						
Acquisition of non-current assets		306	–	90	–	396
Depreciation		247	–	26	–	273

Primary Segment – the geographical segments are based on the location of the Group's production and service facilities.

Secondary Segment – the Group operates in the information technology and telecommunications industry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
Note 24: Related Party Disclosure					
(a) Wholly owned controlled entities					
Loans and advances between entities in the Group are not repayable within 12 months.					
Net amount of loans (refer Note 6 and 13)					
		–	–	3,982,754	8,454,148
Interest on loans to controlled entities					
		–	–	881,549	487,639
A corporate overhead charge is derived by the parent entity from wholly owned controlled entities					
		–	–	2,681,550	2,163,500
(b) Directors, related entities					
(i) Secured borrowings (Notes) provided by CPS (a company related to Powerlan's Executive Chairman, Dr I Campbell) and secured by a Deed of Charge established on 11 May 2005 over the assets of certain entities controlled by Powerlan (refer Note 30). Interest is payable at 10% per annum on these Notes.					
Monies received by Powerlan from CPS					
		7,125,000	138,283	7,125,000	138,283
Monies repaid by Powerlan to CPS					
		2,201,642	–	2,201,642	–
Monies owed by Powerlan to CPS					
		5,180,208	138,283	5,180,208	138,283
Interest paid to CPS in relation to the loan in the year					
		118,567	150,554	118,567	150,554
(ii) DMA Insurance Brokers Pty Ltd, a company related to Mr I Lancaster secured Directors and Officers Insurance cover, electronics and information technology liability insurance and commercial general liability insurance for Powerlan during the year.					
Insurance charges were at arms length and charged at commercial rates					
		220,071	41,036	220,071	41,036
(iii) The minority shares in FinancialBPO were acquired from the JS Partnership and Johnston Bros Pty Limited, entities related to Byram Johnston. Mr Johnston resigned as a director of Powerlan on 28 November 2005. The total amount paid was \$1,200,000.					
The amount of purchase monies paid by Powerlan to J S Partnership and Johnston Bros Pty Limited					
		–	240,000	–	240,000

Pursuant to the Loan Agreement, CPS agreed to subscribe for and pay the Issue Price (as defined in the Loan Agreement) to the Company for a Note (as defined in the Loan Agreement) that the Company agreed to allot and issue to CPS on the terms set out in that Agreement. Pursuant to that Agreement CPS advanced an amount of \$3.0 million to the Company which amount was repayable on or before 9 May 2007. The loan is secured by a fixed and floating charge, established on 11 May 2005, refer Note 30.

On 31 January 2007, the Loan Agreement was amended, the effect of which amendments was to enable CPS to advance to the Company up to \$3.0 million over and above the unredeemed debt and to extend the term for repayment of the further advance to no later than 9 May 2010. At the date of amendment of the loan agreement, the unredeemed debt amounted to \$146,672.

On 3 May 2007, the Loan Agreement was further amended to enable CPS to lend a total of \$5.0 million over and above the unredeemed debt.

On 21 June 2007, the Loan Agreement was further amended to enable CPS to lend, on 26 June 2007, a further \$1.2 million. The \$1.2 million, together with interest accrued on this advance, was to be repaid within 2 business days of completion of the sale of shares in Garradin.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
Note 24: Related Party Disclosure (cont'd)					
(c) Amounts receivable from key management personnel					
Amount receivable from key management personnel		155,016	113,888	155,016	113,888

The amount receivable from key management personnel is non interest bearing and was repaid in full after the balance date.

(d) Key management personnel

The following were key management personnel of the Group throughout the reporting period, unless indicated otherwise:

Non-executive directors

Mr G Harrington (appointed 28 November 2005)

Mr I Lancaster (appointed 28 November 2005)

Ms F McLeod (appointed on 23 January 2007)

Mr P Wood (appointed 28 November 2005 and resigned on 19 January 2007)

Executive directors

Dr I Campbell (appointed as Executive Chairman and CEO of Clarity on 19 February 2007)

Dr T Matić (resigned as a director on 19 June 2007 and as an employee on 30 June 2007)

Mr P Giannopoulos (resigned as a director 28 November 2005 and as an employee on 30 September 2006)

Mr B Johnston (resigned 28 November 2005)

Executives

Mr J Newbery (appointed 1 May 2006)

Ms M Woods (appointed 5 December 2006)

Mr S Bowhill (left the Group on sale of Garradin)

Mr R McWalter

Mr A Piperidis

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
(e) Individual directors and executives compensation disclosures					
Non-executive directors					
Primary benefits		110,855	81,420	110,855	81,420
Post-employment benefits		79,249	51,701	79,249	51,701
Total non-executive directors		190,104	133,121	190,104	133,121
Executive directors					
Primary benefits		762,627	651,806	762,627	484,735
Post-employment benefits		44,645	37,438	44,645	34,961
Termination benefits		175,000	–	–	–
Share based payments		–	44,219	–	44,219
Total executive directors		982,272	733,463	807,272	563,915
Executives					
Primary benefits		1,408,363	1,472,214	412,203	173,232
Post-employment benefits		109,010	92,806	49,718	10,721
Total executives		1,517,373	1,565,020	461,921	183,953
Total		2,689,749	2,431,604	1,459,297	880,989

Information regarding individual directors' and executive's compensation is provided in the Remuneration Report section of the directors' report on pages 7 to 12.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 24: Related Party Disclosure (cont'd)**(f) Other transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Powerlan provides general management, finance and administration services, including human resources services to each division. These services are recovered via a corporate overhead charge.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 25: Earnings per Share					
Total Operations					
Basic/diluted earnings per share		(5.38)	15.02		
Continuing Operations					
Net loss used in calculating basic and diluted earnings per share		(6,917)	(909)		
		No.	No.		
Weighted average number of Ordinary Shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share:		41,263,411	39,553,419		
Basic earnings per share (cents)		(16.76)	(2.30)		
Diluted earnings per share (cents)		(16.76)	(2.30)		
Discontinued Operations					
Net profit used in calculating basic and diluted earnings per share		4,694	6,849		
		No.	No.		
Weighted average number of Ordinary Shares outstanding during the year used in the calculation of earnings per share and diluted earnings per share:		41,263,411	39,553,419		
Basic earnings per share (cents)		11.38	17.32		
Diluted earnings per share (cents)		11.38	17.32		
Note 26: Non-Hedged Foreign Currency Balances					
The Australian dollar equivalents of foreign currency balances included in this financial statements which are not effectively hedged are as follows:					
Current trade and other receivables					
– Indonesian Rupiah		2,791	–	–	–
– British Pounds		360	771	–	–
– Hong Kong Dollars		236	–	–	–
– United States Dollars		182	1,873	–	–
Total current trade and other receivables		3,569	2,644	–	–
Current trade and other payables					
– United States Dollars		464	674	–	–
– Malaysian Ringitt		288	–	–	–
– Singapore Dollars		85	–	–	–
– British Pounds		39	16	–	–
Total current trade and other payables		876	690	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 27: Employee Equity-Based Benefit Arrangements

Employees were eligible to participate in the Employee Share Option Plan ("Plan") under the terms of which each employee is issued options to acquire Ordinary Shares in Powerlan. The issuing of additional options in the Plan was placed on hold and will be reconstituted at an appropriate future date.

	Balance at 30 June 2006	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 30 June 2006
Total options	366,666	–	–	(33,333)	333,333
		Particulars of options held by employees at 30 June 2007		Particulars of options held by employees at 30 June 2006	
Grant date	Exercise expiry date	Number	Exercise price	Number	Exercise price
28 November 2001	28 November 2006	–	–	33,333	\$9.00
28 November 2003	28 November 2008	333,333	\$0.90	333,333	\$0.90
Total options		333,333		366,666	–

The options issued to Dr T Matić have been valued at 66 cents each using the Black-Scholes option pricing model and applying the following inputs:

Exercise price	\$0.90
Expected share price volatility	76.55%
Risk free interest rate	5.7%
Average life of the option	5 years

Options lapsed during the year: All options lapse 5 years after the grant date or if the option holder is a director or employee then an option lapses, together with all non-vested options, and the vesting conditions attaching to those options are revoked thirty (30) days after the option holder ceases to be a director or employee. Dr T Matić did not exercise the options prior to their expiry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 28: Financial Instruments

The Group does not engage in any significant transactions that are speculative in nature.

(a) Interest Rate Risk

The Group's exposure to interest rate risks on financial assets and liabilities is summarised as follows:

	Weighted Average Interest Rate %	Non-Interest Bearing \$'000	Fixed Interest Rate		Floating Interest Rate \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000		
2007						
Financial assets:						
Cash and cash equivalents	3.7	–	–	–	9,506	9,506
Trade and other receivables	–	6,440	–	–	–	6,440
Deposits	5.7	12	–	–	273	285
Other financial assets	–	11,188	–	–	–	11,188
Total financial assets		17,640	–	–	9,779	27,419
Financial liabilities:						
Trade and other payables	6.0	6,221	8,903	–	–	15,124
Borrowings	9.1	–	13,832	–	–	13,832
Total financial liabilities		6,221	22,735	–	–	28,956
2006						
Financial assets:						
Cash and cash equivalents	4.6	–	–	–	6,377	6,377
Trade and other receivables	–	6,640	–	–	–	6,640
Deposits	5.2	–	–	–	273	273
Derivative financial instruments	–	406	–	–	–	406
Other financial assets	–	11	–	–	–	11
Total financial assets		7,057	–	–	6,650	13,707
Financial liabilities:						
Trade and other payables	6.0	11,276	7,964	–	–	19,240
Borrowings	10.0	–	138	–	–	138
Total financial liabilities		11,276	8,102	–	–	19,378

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, of any financial asset at the balance date is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

(c) Net Fair Values

For all financial assets and liabilities, the net fair value approximates their disclosed carrying amounts.

Note 29: Financing Arrangements

The Group has no credit standby arrangements or unused loan facilities with any financial institutions. However, under the terms of the Loan Agreement with CPS, as amended, secured by a Deed of Charge over the assets of Powerlan, the Group had access to an additional \$0.075 million of funding at 30 June 2007.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note 30: Contingent Liabilities

Certain contingent liabilities may exist in respect of warranties provided and understandings given in respect to the divestment of businesses. At the date of these financial statements no claims are pending or have been made in respect of these warranties or undertakings.

Powerlan obtained secured borrowings from CPS on 11 May 2005, which are secured by a Deed of Charge over the assets of Powerlan and the following entities it controls:

Clarity International Limited	Clarity Philippines Pty Limited
Clarity Taiwan Pty Limited	Clarity Global Solutions Pty Limited
Clarity Services Pty Limited	Converter Technology Corporation Pty Limited
IMX Software Group Pty Limited	Zento Pty Limited

Note 31: Events Subsequent to Reporting Date

On 9 July 2007 the Company announced a non-renounceable pro rata rights issue of fully paid Ordinary Shares in the Company to raise up to \$10.32 million. The offer was made on the basis of one new share for every one Ordinary Share held as at 25 July 2007. The issue price of a new share is 25 cents (\$0.25) payable in full on application.

The maximum number of new shares to be 41,263,411 Ordinary Shares. The substantial shareholders CPS (holding 32.04% of the Company's capital) and Niako (holding 19.9% of the Company's capital) undertook to each underwrite \$5 million (inclusive of their full entitlements as shareholders) of the issue. The underwriting agreements guarantee that at least \$10 million will be subscribed.

By 14 August 2007, the closing date for the rights issue, an amount of \$6.15 million had been received from the shareholders who subscribed for their entitlement under the terms of the rights issue. The balance of \$4.17 million was taken up by the underwriters, meaning that the rights issue was fully subscribed.

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 32: Notes to the Statements of Cashflow					
(a) Reconciliation of cash					
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments with terms of less than 90 days, net of outstanding bank overdrafts.					
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:					
Cash at bank and deposits at call		9,506	6,377	8,302	4,307
Total cash and cash equivalents at end of year		9,506	6,377	8,302	4,307
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax					
Profit/(loss) attributable to members of the parent entity		(2,223)	5,940	(8,752)	4,799
Non cash flows in loss from operating activities					
Depreciation		319	336	67	84
Share based payment expense		(114)	44	(114)	44
Write off/provision for impairment of loans to controlled entities		–	–	23,123	2,651
Profit on disposal of investment		(450)	(447)	(450)	(447)
Profit on disposal of subsidiary		(5,362)	(7,813)	(6,200)	(7,891)
Gain/(loss) on fair value of financial assets through profit & loss		(3,926)	594	(3,926)	594
Cash disposed of on sale of subsidiary		–	(289)	–	–
Loss on sale of fixed assets		58	–	–	–
Impairment of goodwill/investments write downs		2,826	(266)	2,826	(266)
Release of provision for impairment of receivables		(511)	(206)	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June

Note	CONSOLIDATED		THE COMPANY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 32: Notes to the Statements of Cashflow (cont'd)				
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax (cont'd)				
Net unrealised foreign exchange on translation of foreign controlled entities				
	91	167	-	-
Change in assets and liabilities, net of purchases and disposals of controlled entities				
(Increase)/decrease in trade and other receivables				
	342	(1,067)	(408)	(2,565)
(Increase)/decrease in inventories				
	773	(1,142)	-	-
(Increase)/decrease in deferred tax assets				
	(496)	(1,154)	29	(29)
Increase/(decrease) in trade and other payables				
	(3,552)	2,332	(5,932)	(269)
Increase/(decrease) in unearned and advance revenue				
	(59)	903	-	-
Increase/(decrease) in other provisions				
	189	(389)	(176)	(645)
Net cash provided by/(used in) operating activities				
	(12,095)	(2,457)	87	(3,940)
(c) Acquisition of businesses				
During 2004 Powerlan acquired 100% of FinancialBPO for \$1,276,000. The acquisition was payable by installments over two years.				
Cash consideration				
	-	244	-	244
(d) Disposal of investment/subsidiary				
(i) Disposal of investment				
In December 2004 Powerlan disposed of its investment in RDS. In January 2007 Powerlan received additional funds in relation to this disposal based upon an earn out calculation.				
Details of these transactions are:				
Cash consideration				
	500	500	500	500
Costs of disposal				
	(50)	(53)	(50)	(53)
Gain on disposal				
	450	447	450	447
Cash consideration				
	500	500	500	500
Costs of disposal				
	(50)	(53)	(50)	(53)
Net cash inflow				
	450	447	450	447

(ii) Disposal of subsidiary

In June 2007 Powerlan sold its subsidiary Garradin to Bravura (November 2005 Powerlan sold its subsidiary FinancialBPO to Computershare)

For the year ended 30 June

Note	CONSOLIDATED		THE COMPANY	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Details of these transactions are:				
Cash consideration				
	10,571	9,500	10,571	9,500
Fair value of 990,000 options over shares in Computershare				
	-	1,000	-	1,000
Provision for deferred services				
	-	(862)	-	(862)
Carrying value of goodwill				
	(4,214)	(1,276)	(4,214)	(1,280)
Divestment expenses				
	(157)	(201)	(157)	(201)
Net assets disposed				
	(838)	(82)	-	-
Write down of intercompany balances				
	-	(266)	-	(266)
Gain on disposal				
	5,362	7,813	6,200	7,891

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Powerlan Limited

For the year ended 30 June	Note	CONSOLIDATED		THE COMPANY	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 32: Notes to the Statements of Cashflow (cont'd)					
(d) Disposal of investment/subsidiary (cont'd)					
Fair value of assets and liabilities sold at disposal date					
Cash		962	289	–	–
Trade and other receivables		728	743	–	–
Other financial assets		–	213	–	–
Inventory		–	9	–	–
Property, plant & equipment		31	185	–	–
Total assets		1,721	1,439	–	–
Trade and other payables		389	1,248	–	–
Provisions		494	109	–	–
Total liabilities		883	1,357	–	–
Net assets		838	82	–	–
Cash consideration		10,571	9,500	10,571	9,500
Less: deferred consideration, due in more than one year		(1,117)	–	(1,117)	–
Less: cash transferred on disposal		(962)	–	–	–
Less: costs of disposal		(157)	(201)	(157)	(201)
Net cash inflow		8,335	9,299	9,297	9,299

DIRECTORS' DECLARATION**Powerlan Limited**

The directors of the Company declare that:

1. The financial statements and associated notes, as set out on pages 19 to 48, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements in Australia; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated entity.
2. The audited remuneration disclosures set out on pages 7 to 12 of the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulation 2001.
3. The directors have been given the declarations required by section 295A of the Corporation Act 2001 from the Chief Executive Officer and Chief Financial Officer, declaring that in the opinion of the Chief Executive Officer and Chief Financial Officer:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
4. In the directors' opinion there are reasonable grounds to believe that Powerlan and its controlled entities will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Dr I Campbell
Executive Chairman



Mr I Lancaster
Director

Dated at Sydney this 30th day of August 2007

INDEPENDENT AUDITOR'S REPORT

To the members of Powerlan Limited

Report on the Financial Report and AASB 124 remuneration disclosures contained in the directors' report.

We have audited the accompanying financial report of Powerlan Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Powerlan Limited (the company) and the entities it controlled (the consolidated entity) at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about remuneration of directors and executive ('remuneration disclosures') required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 7 to 12 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the directors' report.

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures included in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures included in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Powerlan Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 7 to 12 of the directors' report comply with Accounting Standard AASB 124.



PKF



**John Bresolin
Sydney,**

30 August 2007

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Powerlan Limited

Shareholdings as at 24 August 2007

(a) Distribution of Shareholders	Size of holding	Shareholders
	1 to 1,000	4,459
	1,001 to 5,000	811
	5,001 to 10,000	216
	10,001 to 100,000	196
	100,001 and over	35
	Total number of shareholders	5,717

(b) The number of shareholdings held in less than marketable parcels is 4,942

(c) The names of the substantial shareholders listed in Powerlan's register are CPS Group Investments Pty Limited having 33,221,024 Ordinary Shares, Niako Investments Pty Limited having 15,954,171 Ordinary Shares, New Age Amusements (Aust) Pty Ltd having 10,007,757 Ordinary Shares and Mr Robert Wilson having 2,256,803 Ordinary Shares

(d) Voting rights – all shares rank equally.

(e) Twenty largest Shareholders – Ordinary Shares

20 largest shareholders	Ordinary Shares Held	% of Issued Shares
1 CPS Group Investments Pty Ltd	33,221,024	40.25
2 Niako Investments Pty Ltd	15,954,171	19.33
3 New Age Amusements (Aust) Pty Ltd	10,007,757	12.13
4 Mr Robert Wilson	2,256,803	2.73
5 Mr. Con Mitris	1,613,814	1.96
6 Focus Information Technology Pty Ltd	1,268,080	1.54
7 DMA Insurance Brokers Pty Ltd	930,000	1.13
8 Connaught Consultants	880,000	1.07
9 Portfolio Custodian Pty Ltd	837,737	1.02
10 Talrink Pty Ltd	555,000	0.67
11 Nilozan Pty Ltd	501,200	0.61
12 Piliouras Nominees Pty Ltd	348,180	0.42
13 Mr John Dimitriou	346,042	0.42
14 AJG Software Pty Limited	291,184	0.35
15 Mr Brendan Thomas Birthistle	284,400	0.34
16 Zafiris & Associates Pty Ltd	266,666	0.32
17 Mr. Dimitrios Piliouras & Mrs Konstantina Piliouras	239,746	0.29
18 Citicorp Nominees Pty Limited	234,911	0.28
19 Calamia Pty Ltd	200,000	0.24
20 Mr Jonathan Ian Millard	200,000	0.24
Total	70,436,715	85.34

Stock Exchange Listing

Quotation has been granted for all of the Ordinary Shares of Powerlan on all member exchanges of the Australian Stock Exchange Limited.

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